



CONGRESSIONAL HEARING RESUME

106th Congress
2nd Session

Date: 15 Mar 00

SUBJECT: Removing the Barriers to TRICARE

COMMITTEE: Subcommittee on Military Personnel, House Armed Services Committee

CHAIRMAN: The Honorable Steven Buyer

MEMBERS PRESENT (bold face):

REPUBLICANS

Steven Buyer, (R-IN)
Roscoe Bartlett, (R-MD)
J.C. Watts, (R-OK)
William Thornberry, (R-TX)
Lindsey Graham, (R-SC)
Jim Ryun, (R-KS)
Mary Bono (R-CA)
Joe Pitts, (R-PA)
Robin Hayes, (R-NC)
Steven Kuykendall, (R-OH)

DEMOCRATS

Neil Abercrombie, (D-HI)
Marty Meehan, (D-MA)
Patrick Kennedy, (D-RI)
Loretta Sanchez (D-CA)
Cynthia McKinney (D-GA)
Ellen Tauscher, (D-CA)
Mike Thompson, (D-CA)
John Larson, (D-CT)

WITNESSES: See next page

Information contained in this resume was obtained during open hearing. It will not be released outside of the Department of Defense (DOD) agencies until published hearing transcripts have been released by the Committee, and only to the extent it is in accord with published hearing procedures.

Prepared by: Lt Col Brad Oswalt Date: 16 March 00 Ext: 697-9110

WITNESSES

PANEL ONE:

Honorable Rudy DeLeon
Undersecretary of Defense, Personnel and Readiness

Dr Sue Bailey
Assistant Secretary of Defense, Health Affairs

James Sears
Executive Director, TRICARE Management Activity

Admiral Pilling, Vice Chief of Naval Operations,
Chairman, Defense Medical Oversight Committee

BACK-UP Witnesses

Lt Gen Carlton , Air Force Surgeon General

Maj Gen Sculley, Army Deputy Surgeon General

Vice Admiral Nelson, Navy Surgeon General

PANEL TWO:

Sue Schwartz, Associate Director of Government Relations
National Military Family Association (NMFA)

Chuck Partridge, Director, Legislation and Political Action Team
National Association of Uniformed Services (NAUS)

Ms Virginia Torsch
The Military Coalition
(The Retired Officers Association)

Alan Lance Sr.
National Commander
The American Legion

PANEL THREE:

Mr David Nelson, President
Sierra Military Health Services

Mr William Vandervennet, Jr, President
Anthem Alliance Health Insurance Company

Mr David Baker, President and CEO
Humana Military Healthcare Services

Mr James Woys, Chief Operating Officer
Foundation Health Federal Services

Mr David McIntyre, President and CEO
TriWest Healthcare Alliance

PANEL FOUR:

Mr Stephen Backhus, Director
Veterans' Affairs and Military Health Care Issues
General Accounting Office

EXECUTIVE SUMMARY

Chairman Buyer noted this is the third hearing on TRICARE and they've heard testimony about numerous problems with access and claims processing. He commented that the President's budget did little to meet the call for improved care and called for a non-partisan effort to fix the system. Aggressively questioned DoD about "executable vs fully funded budgets" and wanted to know what shortfalls existed in the healthcare budget. Lt Gen Carlton indicated the AF was \$250M short of full funding in FY00. Military coalition witnesses echoed the need to "keep the promise" to retirees through dramatic reforms, but under questioning agreed that pharmacy benefits would be the number one fix. TRICARE contractor witnesses stated that the system was improving and several expressed reservations about changes implemented in the upcoming TRICARE 3.0 contract. The GAO recommended that Congress let current demonstrations run their course before implementing more changes. As a side note: When questioned, Mr DeLeon gave detailed timelines on anthrax vaccine supplies.

The Subcommittee was called to order at 1335.

Chairman Buyer's Opening Statement

- Emphasized "we will deliver on the need to reform military healthcare"

Rep Abercrombie:

- President's budget does nothing to help "over-65's"

PANEL ONE: DoD

Admiral Pilling:

- Senior line leadership is fully engaged
- DMOC leadership led to an additional \$250M to the FY01 healthcare budget

Mr DeLeon:

- Commented that we are bucking the trend since most civilian healthcare plans are reducing benefits and increasing premiums and co-pays
- Emphasized that the DMOC was critical to bringing the line and medical corp together

Mr Buyer:

- Commented that we could save \$100M a year in claims processing
- Told the panel "we're going to help you here" and mentioned that electronic filing was more efficient

Adm Sears:

- TRICARE processes 31M claims a year and we're improving the process

Mr Buyer:

- Commented that the DHP budgeting model has problems and wanted to know shortfalls
- Stated that he has never understood "fully funded" vs "executable" budgets

Adm Pilling:

- Shortfall over 02-05 is \$6.5B

Lt Gen Carlton:

- Commented that “fully funded” includes making good investments to improve readiness and not shifting money from the line
- Stated that FY00 shortfall is \$250M
- Mr DeLeon commented that he disagreed and believed the line should pay part of the bill, which reduces that number

Dr Bailey:

- When questioned, commented that Medicare Subvention is costing us approximately \$60M this year and all demos approximately \$80M out of \$17B budget

Mr DeLeon

- Explained that anthrax threat remains unchanged
- Commented that with FDA approval of additional lots we will have adequate supplies for the balance of CY00.

PANEL TWO: Coalitions

All stated that Pharmacy is the number one benefit for retirees

Mr Partridge, NAUS

- Most important benefit is the drug formulary and access to pharmacy
- No more tests and demonstrations--retirees are desperate

Ms Schwartz, The Military Coalition

- JCS promised major changes, but proposed nothing in the budget
- They now need Congress to act

Ms Torsch, The Retired Officer Association

- Need to expand the pharmacy benefit

Mr Lane, American Legion

- Commented that it would help to allow TRICARE participants to utilize the VA system

PANEL 3: TRICARE Contractors

- All contractors stated they are improving TRICARE and are pleased with progress.
- Concerns were raised that TRICARE 3.0 would lead to substantial variations in how TRICARE would operate region to region
- Mr Buyer commented “I won’t let that happen”

Mr Nelson, Sierra

- Commented that the TRICARE claim system is the most complicated in the entire industry

Mr Baker, Humana

- Believes that electronic claims processing will significantly improve the process

PANEL FOUR: GAO

Mr Backhus

- Stated that Medicare Subvention and FEHBP demos are in early stages and we need to let them run their course to gain accurate data
- Pharmacy benefit changes are the most cost effective way to help over 65's--estimated at \$400M to \$600M per year
- Confirmed that TRICARE needs substantial improvement in the appointment system and claims processing
- Doesn't believe that Medicare Subvention necessarily requires an increase in reimbursement rates from Health Care Finance Administration since many of the fees that DoD waived are already paid to DoD through their budget

Mr Buyer

- Stated we'll go slow on changes